

NOTICE OF SPECIAL MEETING

TO THE MEMBERS OF THE CITY COUNCIL OF THE CITY OF AUSTIN:

Notice is hereby given that a Special Meeting of the City Council of the City of Austin will be held on the 25th day of March, 1958, at the Municipal Building, Eighth and Colorado, in Austin, Texas, at 3:30 P.M. for the purpose of discussing the price of gas and the bringing in of gas to Austin for its Power Plant.

(Sgd) Elsie Woosley
City Clerk

(Sgd) Tom Miller
Mayor
City of Austin, Texas

ATTEST:

(Sgd) Elsie Woosley
City Clerk

CONSENT TO MEETING

We, the undersigned members of the City Council, hereby accept service of the foregoing notice, waiving any and all irregularities in such service and such notice, and consent and agree that said City Council shall meet at the time and place therein named, and for the purpose therein stated.

(Sgd) Emma Long

(Sgd) Wesley Pearson

(Sgd) Lester E. Palmer

(Sgd) Ben White

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Meeting

March 25, 1958
3:30 P. M.

Council Chamber, City Hall

The meeting was called to order with Mayor Miller presiding.

Roll call:

Present: Councilmen Long, Palmer, Pearson, White, Mayor Miller
Absent: None

Present also: W. T. Williams, Jr., City Manager; Doren R. Eskew, City Attorney; Dexter Kinney, Director of Electric Utility.

Mayor Miller announced that this was a meeting called for the purpose of discussing the price of gas and the bringing in of gas to Austin for its Power Plant.

To this meeting members of an advisory group appointed by the Council and the City Manager were invited, and the following were present:

MR. DAVID BARROW	DR. ROBERT MONTGOMERY
MR. MOTON CROCKETT, JR.	MR. C. A. McADEN
MR. BOYCE CAMPBELL	MR. JAMES NASH
MR. JOE CROW	MR. E. H. PERRY, SR.
MR. CREEKMORE FATH	MR. JOHN SIMPSON
MR. W. S. GIDEON	MR. H. G. SPELLER
MR. G. L. HUCKABY	MR. LEON STONE
MR. E. W. JACKSON	MR. MARVIN TURNER
MR. C. G. LEVANDER	MR. PURTLE WATTS
MR. STUART LONG	MR. KARL WAGNER
MR. MATTHEWS	MR. TED WIMBERLY
MR. GULTON MORGAN	

MAYOR MILLER gave a resume of the growth and benefits of the Power Plant through its many years of service by the City, and stated its value was some \$70 million. He then gave a history of the gas utility in Austin from the time of artificial gas up to the present time, and listing the prices paid by the City for its gas. He explained the present contract with SOUTHERN UNION GAS COMPANY which runs until 1965, but with no ceiling price, except a verbal ceiling price that it would not exceed 20¢ per thousand cubic feet. The Mayor stated there had been an offer from a group of people (whose names were being withheld at this time, as well as the location of their gas fields) to furnish the city gas. The offer involves a 20 year contract and \$143 million dollars. He stated a 20" line would be constructed to the site of the new Power Plant. The price

of gas being paid now has been running between .1525 and .1585 since July 27, 1957, and the amount last year amounted to \$975,000.

MR. DAVID BARROW inquired if it were reasonable to assume that someone that we did not know too much about could get gas to sell to the city at a fixed price, when the established supplier of gas like the one that has the contract could not seem to do it.

MR. TED WIMBERLY brought up the question of dedicated reserves. The City Manager stated the acceptance of the proposition would not constitute a contract, as the acceptance was based upon a number of conditions, two of which would be their proof of ability to provide the reserves to the satisfaction of the City, and their ability to secure the finances to construct the necessary lines.

MR. E. W. JACKSON did not believe the group called in to advise, was sufficiently informed. MR. JOE CROW expressed confidence in the Council, and asked them to go forward in their negotiations, as he knew the Council would look into all of the problems in great detail.

Mayor Miller announced that a hearing with SOUTHERN UNION was called for the next day to see if a ceiling price could be obtained.

MR. JAMES NASH stated gas fields declined at the rate of 15% a year. In 1980, the price of gas would be 20¢ as quoted, and Mr. Nash did not know how the gas could be gathered, and distributed to Austin at that price. He urged that someone be sent out and spend some time in the fields of this producer to see what is there. MR. SPILLER concurred with Mr. Nash, and thought this was a promotion case. He suggested Mr. C. A. BREITUNG as a capable engineer to check the fields to determine if the source and supply were there. Councilman Long stated the City would not lose anything, that it was entering into an agreement that if the gas were there, the City would have an opportunity to get it; that the City was going to have to take some kind of action, as the man had other commitments.

Councilman Palmer thought it would be desirable to have a ceiling of 20¢ on gas, as it could go higher in the next 20 years.

DR. ROBERT MONTGOMERY, upon finding out that Southern Union could not cancel their contract with the City, but the City could cancel out; and that the new producer, if he did not make a fair rate of return on his investment, could not cancel out, stated that this looked like a wonderful opportunity to explore.

MR. DAVID BARROW stated that the people who knew something about the gas business had said this was a very unusual contract and an unusual promise for anybody to make, and he feared the business might be unsound.

Councilman Long was ready to take a vote today, as she thought signing the letter of intent would save money for the next twenty years, and that there was no further information to obtain from the Gas Company, as they had told the Council they were not making any firm prices for anybody.

MR. GUITON MORGAN stated there were two alternatives--a supply of known gas and known financial ability with no set price; and a known price, but

unknown financial ability and unknown supply of gas. He believed the proposed producers were getting a hunting license to see if they could get the gas and the financial backing down the line to fulfill a contract. The Mayor explained the request of the new supplier, and stated he should appear and give full information about the development of the fields and of his financial status. He stated that the Council should also hear from Southern Union as it had never heard from them personally.

MR. MARVIN TURNER asked about Paragraph 6 of the letter stating there was no penalty clause. Mr. Eskew stated the contract was for only one purpose and explained the contract.

Councilman White did not think it would be right to miss this chance of getting a set price on gas; if this chance were missed, the City might have to pay 30 or 35¢ for its gas.

MR. JOHN SIMPSON advised against entering into any contract that had to be entered into in a short length of time. He urged the Council to be very careful in this.

MR. CREEKMORE FATH stated if a dedicated supply of gas to the City at a set price could be obtained, it would be wonderful. His suggestion was to sign the letter of intent, and see if Southern Union would come in on a better contract.

The Mayor stated if the Council voted to bring this gas in, he would certainly be helpful to them in every way, but he did want the Council to hear Southern Union before voting. He stated the producers did not come down before the Council today. He asked the Committee to hear Southern Union and come back again and hear this other producers also. Discussion followed on having a hearing with Southern Union Gas Company.

MR. NASH said if a contract like this one under discussion could be made, it would be an excellent contract and the most outstanding deal made in the gas business for the next ten years. He could not figure out the financing of the providing of this gas, gathering and delivering it, pumping it, amortizing the lines, and drilling about 50 wells a year, at a set price of 20¢. He would want to know a lot more about it before he went into anything like this.

Councilman Pearson called the proposed supplier long distance, and reported back to the Council that he said he would be happy to have a representative in the City tomorrow and to make an appointment to meet the City's men in the field and examine 100 wells and open part of them. He said he would give the City until Tuesday to make its decision after it had heard Southern Union and United. The Mayor stated that was fine and if everything was certain, he would vote for this new contract and do everything to help him get the gas in here. The Mayor thought Mr. Kinney and the City Manager and he would go also up to the fields along with some geologists.

The Mayor announced a meeting to hear SOUTHERN UNION GAS COMPANY at 3:00 P.M. Monday, March 31, 1958, and urged the group that was present today

to be back at that meeting.

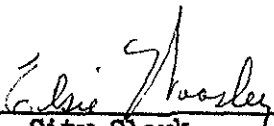
There being no further business, the Council then adjourned, subject to the call of the Mayor.

APPROVED



Mayor

ATTEST:


City Clerk